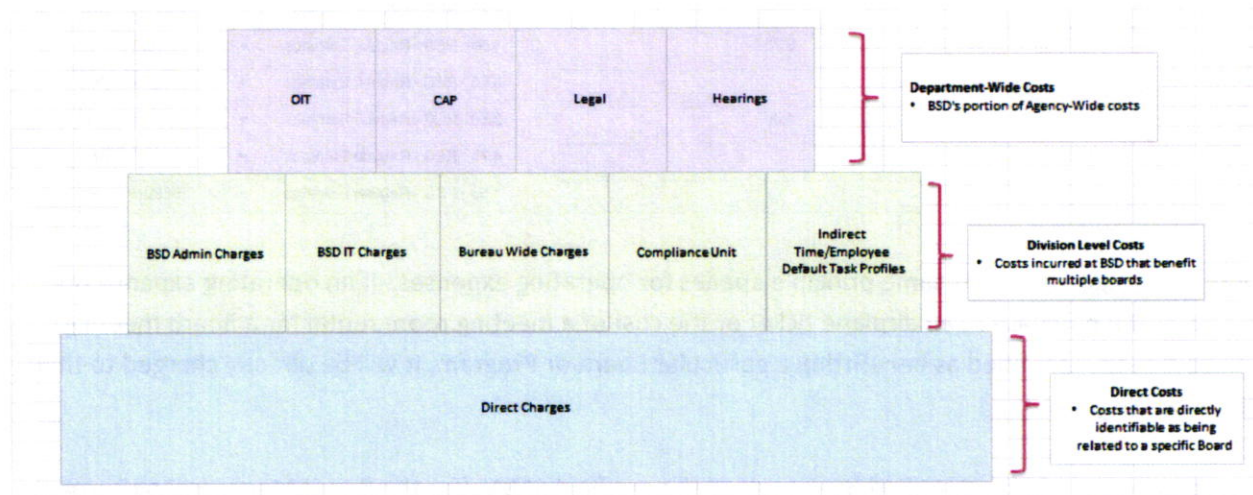


## Business Standards Division Allocation of Costs

The following document is designed to provide an overview of the different types of costs incurred by the various Boards and Programs, and a description of how those costs are allocated to each of those Boards and Programs.

The diagram below details the various levels of charges that are incurred by the Boards. There are Direct Charges, Division-Level Costs, and Department-Wide Costs.



The following definitions apply to this document:

- **Taskprofile** – A taskprofile is a code that employees select when completing their timesheet. The taskprofile indicates the funding source, or combination of funding sources, that will be utilized to pay for the designated time of that employee.
- **Speedchart** – A speedchart is a SABHRS tool that allocates operating costs out to various Boards and Programs based upon a set percentage.

### Direct Charges

Personal Services Expenses - When an employee can directly identify a specific Board or Program that they are working for, they should direct charge their time to that Board. The timesheet below shows an example of this. This is a picture of a timesheet for a Board Management Bureau employee. The employee indicates the number of hours worked (on the left) and the taskprofile for the appropriate Board on the right. On Monday, June 10<sup>th</sup>, this employee worked: .5 hours for the Board of Barbers and Cosmetologists, 1.5 hours for the Electrical Board, 3.5 hours for the Board of Nursing, 1.25 hours for the Board of Outfitters, and .5 hours for the Board of Realty Regulation.

From Monday 06/10/2013 to Sunday 06/16/2013									
Mon 6/10	Tue 6/11	Wed 6/12	Thu 6/13	Fri 6/14	Sat 6/15	Sun 6/16	Total Hours	Time Reporting Code	Task Profile ID
	2.00			2.50			4.50	VLT - Vacation Taken	66205083
0.75	0.75		0.75	0.75			3.00	REG - Regular Earnings	662BD_BDC
	0.50	0.25					0.75	REG - Regular Earnings	662BMGTCHI
0.50	0.25	0.75	0.50				2.00	REG - Regular Earnings	662BMGTCOS
		0.75	0.50	0.25			1.50	REG - Regular Earnings	662BMGTDEN
1.50							1.50	REG - Regular Earnings	662BMGTELE
	0.25	0.50	2.00				2.75	REG - Regular Earnings	662BMGTFNR
	0.50			1.75			2.25	REG - Regular Earnings	662BMGTMED
3.50	2.25	0.75	0.75	0.50			7.75	REG - Regular Earnings	662BMGTNUR
1.25			0.50	0.50			2.25	REG - Regular Earnings	662BMGTOUT
		0.75		0.75			1.50	REG - Regular Earnings	662BMGTPAC
		0.50					0.50	REG - Regular Earnings	662BMGTPEL
		0.25	2.25	1.00			3.50	REG - Regular Earnings	662BMGTPLU
	0.50	2.50	1.75				4.75	REG - Regular Earnings	662BMGTREA
0.50		1.00					1.50	REG - Regular Earnings	662BMGTRRE

**Operating Expenses** – This same principle applies for operating expenses. If an operating expense (for example, the purchase of an airplane ticket or the cost of a meeting room rental for a Board meeting), can be directly identified as benefitting a particular Board or Program, it will be directly charged to that Board or Program.

Direct Expenses can be identified by the use of the org field 51BM (for the Board Management Bureau) or 51LB (for the Licensing Bureau). In 2013, direct expenses were also identified using a 4-digit org that was unique for each Board.

### **Division-Wide Costs**

Division-Wide Costs are costs that are specific to BSD, but that benefit numerous Boards and Programs.

### **Indirect Time**

BSD Employees have periodic times when they are at work, but cannot identify a specific Board or Program that is benefitting from their work. Examples of this type of work would be when the employee is attending training or a staff meeting. Employees charge this time to a Bureau-Wide taskprofile. The timesheet below shows what this would look like for the employee.

From Monday 06/10/2013 to Sunday 06/16/2013							Total Hours	Time Reporting Code	Task Profile ID
Mon 6/10	Tue 6/11	Wed 6/12	Thu 6/13	Fri 6/14	Sat 6/15	Sun 6/16			
	2.00			2.50			4.50	VLT - Vacation Taken	66205083
0.75	0.75		0.75	0.75			3.00	REG - Regular Earnings	662BD_BDC
	0.50	0.25					0.75	REG - Regular Earnings	662BMGTCHI
0.50	0.25	0.75	0.50				2.00	REG - Regular Earnings	662BMGTCOS
		0.75	0.50	0.25			1.50	REG - Regular Earnings	662BMGTDEN
1.50							1.50	REG - Regular Earnings	662BMGTELE
	0.25	0.50	2.00				2.75	REG - Regular Earnings	662BMGTfNR
	0.50			1.75			2.25	REG - Regular Earnings	662BMGTMED
3.50	2.25	0.75	0.75	0.50			7.75	REG - Regular Earnings	662BMGTNUR
1.25			0.50	0.50			2.25	REG - Regular Earnings	662BMGTOUT
		0.75		0.75			1.50	REG - Regular Earnings	662BMGTPAC
		0.50					0.50	REG - Regular Earnings	662BMGTPEL
		0.25	2.25	1.00			3.50	REG - Regular Earnings	662BMGTPLU
	0.50	2.50	1.75				4.75	REG - Regular Earnings	662BMGTREA
0.50		1.00					1.50	REG - Regular Earnings	662BMGTRRE

Each of the two Bureaus (Board Management and Licensing) has their own Bureau-Wide taskprofile. These taskprofiles allocate the employees' time out to each Board based upon that Board's percentage of the total Direct Hours charged by the employees of that Bureau in the previous quarter.

For example, if the employees in the Licensing Bureau had charged a total of 8,500 direct hours in the quarter of January through March, and 100 of those hours had been directly charged to the Board of Dentistry, the Board of Dentistry would pay 1.18% ( $100/8500 = 1.18\%$ ) of the personal services costs that were charged to the Licensing Bureau-Wide taskprofile during the months of April through June. For the timesheet shown above, the Board of Dentistry would pay for 1.18% of the cost of the employee's 3 hours that were charged to the Bureau-Wide taskprofile.

Indirect time can be identified by the use of the org 51BDC and 51LDC. In 2013, the orgs 5100 and 5200 were also used to identify indirect time.

Employee Default Task Profiles - Each quarter, a "default task profile" is developed for each individual employee. The default task profile is where employees charge their sick leave and vacation time. The default task profile is created based upon the direct hours of the specific employee in the previous quarter. So, for example, if in the months of January through March, an employee had charged 30% of his direct time to the Board of Nursing, 40% of his direct time to the Board of Professional Accountants, and 30% of his direct time to the Board of Medical Examiners, his sick leave and vacation time for the months of April through June would be charged to the Boards in that same proportion.

Time charged to employee default task profiles will use the orgs 51BDC and 51LDC.

BSD Admin – These are costs that benefit all of BSD. They include such things as the salaries and benefits of the Administrator and other staff who complete work for all of BSD (Division Fiscal Officer, Receptionist, etc.). The Weights & Measures Bureau and the Building Codes Bureau also pay a portion of these costs.

These costs are distributed using a speedchart (for operating costs) or taskprofile (for personal services costs) that is set at the beginning of each quarter, which allocates the expenses out to the Weights & Measures Bureau, the Building Codes Bureau, and the various Boards and Programs.

To determine the make-up of the speedchart/taskprofile each quarter, we look at total direct charged hours for the previous quarter, for the division as a whole.

*Examples (Hypothetical):*

BSD's has a total of 20,000 direct charged hours for the January through March quarter. Board of Nursing has 950 of those hours. The Weights & Measures Bureau has a total of 1,200 of those hours.

The Board of Nursing's percentage of the BSD Admin allocation would be as follows:  $950/20,000 = 4.75\%$ . The Weights & Measures Bureau's percentage would be as follows:  $1,200/20,000 = 6.0\%$

These costs are identified with the use of the org 5001.

BSD IT Admin Charges - These are costs incurred by BSD's onsite IT Team. These charges include IT work that is done specifically for BSD, as well as some ITSD costs that are specifically related to BSD. Their charges are allocated very similarly to the BSD Admin charges, with the only difference being that Weights and Measures is excluded from the allocation, as they don't use the services of this group.

These costs are identified with the use of the org 5001IT.

Compliance Unit Charges – The Compliance Unit performs investigations as requested by the Boards. Whenever possible, they direct charge their time to the Board that they are working for. Any time or expenses that cannot be directly identified to a particular Board or Program are allocated out to all Boards and Programs based upon the direct hours of the Compliance Unit in the previous quarter.

These costs are identified with the use of the org 5002CU.

### **Department-Wide Costs**

These are Business Standards Division's portion of costs that are shared by all divisions within the Department of Labor & Industry (DLI). These charges fall into the following categories:

Centralized Administrative Costs (referred to as CAP)

These are costs incurred to pay for the general administration of DLI, through Centralized Services that benefit all divisions within the agency, including the Business Standards Division (BSD).

- *Human Resources* – Provides BSD with the following services: writing position descriptions; performing job classifications; advertising vacant positions; collecting job applications, offering assistance to employees regarding available benefits, FMLA, ADA, reasonable accommodations, and worker's compensation claims; guidance on employee performance management.
- *Fiscal Support Bureau* – The Fiscal Support Bureau provides BSD with accounting, budgeting, payroll and mail services.
- *Commissioner's Office* – The Commissioner's Office provides management and oversight to DLI as a whole.

Centralized Administrative Costs are allocated to the divisions via a federally and legislatively approved Indirect Cost Rate. The rate for 2014 is 7.10% of a Division's personal services costs.

Boards will see this cost included on their Financial Reports in the 628xx category.

#### Hearings Bureau Costs

The Hearings Bureau holds impartial administrative hearings and provides dispute resolution services in unemployment insurance cases, wage and hour claims, public employee collective bargaining and unfair labor practices cases, state employee classification appeals and grievances, uninsured employer regulatory matters, and human rights complaints. The Hearings Bureau serves BSD by hearing professional and occupational licensing appeals.

Hearings Bureau staff directly identifies any time spent on professional and occupational licensing appeals by indicating on their timesheet the board that the appeal is related to, and the amount of time spent on the appeal.

These costs, as well as a prorated portion of the Hearings Bureau's administrative costs (office supplies, paper, toner, etc.), are then charged back to that Board each month.

Boards will see this cost included on their Financial Reports in the 628xx category.

#### Legal Costs

The Legal Unit charges a rate of \$95/hour for their services. This rate is federally and legislatively approved. When Legal staff performs work that is directly related to a Board, they indicate that on their timesheet. That Board is then assessed the \$95/hour rate.

Boards will see this cost included on their Financial Reports in the 628xx category.

### OIT Costs

The Office of Information Technology provides department-wide IT services to DLI, including desktop support, network maintenance, help-desk support for department-wide applications, and information technology security.

These costs are assessed to each division based on a federally and legislatively approved rate of \$192/FTE/month.

### Reporting and Review

Each pay period, the Fiscal Support Bureau runs two reports that are distributed to supervisors at BSD. The first report details each employee's percentages of direct vs. indirect time for that pay period. Supervisors use this report to monitor employee workload, and to ensure that employees in similar positions are experiencing approximately the same percentage of direct hours vs. indirect hours. The second report lists each employee and their direct hours by board. This allows the Executive Officer for a particular board to review which employees were charging time to that board each pay period.

Employees have been trained on proper time recording for time distribution purposes. The division's Training Coordinator also works one on one with individual employees if errors are identified through the two reports mentioned above.

### Time Distribution Methodology

The Time Distribution Methodology for allocating BSD's indirect costs was initially adopted in 2008. Prior to its adoption, BSD's indirect costs were allocated to the various boards using what was known as the "recharge" methodology. Under this methodology, administrative costs were pooled in one central fund. Each board then paid for a certain percentage of these costs. The percentage paid by each board was calculated using that board's percentage of total expenses for the fiscal year two years prior. This method was met with many complaints, as the nature of expenses can change significantly within that two year period.

Time Distribution is believed to be the most equitable way of distributing these costs. Administrative costs are primarily driven by the number of employees (rent, IT costs, telephone costs, etc.), so time distribution essentially takes into consideration the total number of employees utilized by each board. It is timely, and reflective of actual activity within the boards. It is also consistent with the methodologies used in other divisions within DLI.